

MUNICIPAL CORPORATION
OF
CAPE CHARLES, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

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Independent Auditors' Report

**To the Honorable Members of the Municipal Corp. Council
Municipal Corporation of Cape Charles
Cape Charles, Virginia**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipal Corporation of Cape Charles, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Municipal Corporation of Cape Charles, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, and each major fund of the Municipal Corporation of Cape Charles, Virginia, as of and for the year ended June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Municipal Corporation of Cape Charles, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 17 to the financial statements, in 2022, the Municipal Corp. adopted new accounting guidance, GASB Statement Nos. 87, *Leases*, 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, and 92, *Omnibus 2020*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Municipal Corporation of Cape Charles, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Municipal Corporation of Cape Charles, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Municipal Corporation of Cape Charles, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for

Required Supplementary Information (Continued)

placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Municipal Corporation of Cape Charles, Virginia's basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2023, on our consideration of Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting and compliance.

Robinson, Fournier, Cox Associates

Richmond, Virginia
March 22, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Town Council
To the Citizens of the Municipal Corporation of Cape Charles
Cape Charles, Virginia

As management of Municipal Corporation of Cape Charles, Virginia (the "Town") we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

< The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$32,183,761 (net position).

Fund Financial Statements

Governmental funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other uses by \$953,795 (Exhibit 5).

< As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$2,821,312, an increase of \$664,558 in comparison with the prior year.

< The combined long-term obligations decreased \$639,692 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner like a private-sector business.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements (Continued)

The statement of net position presents information on all the Town's assets and deferred outflows and liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, police protection, cultural events, recreation, and community development.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Municipal Corporation of Cape Charles, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town has four major governmental funds - the General Fund, the Special Revenue Fund, the Debt Service Fund, and the Capital Projects fund.

Proprietary funds - Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Water and Sewer Fund provides a centralized source for water/sewer services. The Harbor Fund provides docking facilities and fuel sales for harbor customers. The Sanitation Fund provides refuse collection services.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and the schedules related to pension funding. Other supplementary information consists of detailed budgetary schedules and statistical information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$32,183,761 at the close of the most recent fiscal year. The following table summarizes the Town's Statement of Net Position:

Municipal Corporation of Cape Charles, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 4,612,394	\$ 3,011,986	\$ 4,603,764	\$ 3,399,036	\$ 9,216,158	\$ 6,411,022
Capital assets	5,501,206	5,670,565	25,286,006	26,036,033	30,787,212	31,706,598
Total assets	\$10,113,600	\$ 8,682,551	\$29,889,770	\$29,435,069	\$40,003,370	\$38,117,620
Deferred outflows of resources:						
Pension related items	\$ 170,370	\$ 201,802	\$ 56,790	\$ 67,267	\$ 227,160	\$ 269,069
OPEB related items	19,440	23,025	6,478	7,675	25,918	30,700
Total deferred outflows of resources	\$ 189,810	\$ 224,827	\$ 63,268	\$ 74,942	\$ 253,078	\$ 299,769
Current liabilities	\$ 909,472	\$ 686,410	\$ 464,892	\$ 482,003	\$ 1,374,364	\$ 1,168,413
Long-term liabilities outstanding	1,000,770	1,115,814	5,129,090	5,627,888	6,129,860	6,743,702
Total liabilities	\$ 1,910,242	\$ 1,802,224	\$ 5,593,982	\$ 6,109,891	\$ 7,504,224	\$ 7,912,115
Deferred inflows of resources:						
Deferred revenue - prepaid taxes	\$ 7,878	\$ 11,317	\$ -	\$ -	\$ 7,878	\$ 11,317
Lease deferrals	8,245	-	-	-	8,245	-
Pension related items	387,871	37,366	129,290	12,456	517,161	49,822
OPEB related items	26,384	3,136	8,795	1,045	35,179	4,181
Total deferred inflows of resources	\$ 430,378	\$ 51,819	\$ 138,085	\$ 13,501	\$ 568,463	\$ 65,320
Net position:						
Net investment in capital assets	\$ 4,662,031	\$ 4,745,696	\$20,216,389	\$20,479,589	\$24,878,420	\$25,225,285
Restricted:						
Debt covenants	-	-	257,646	257,584	257,646	257,584
Net pension asset	562,262	106,804	187,421	35,602	749,683	142,406
Unrestricted	2,738,497	2,200,835	3,559,515	2,613,844	6,298,012	4,814,679
Total net position	\$ 7,962,790	\$ 7,053,335	\$24,220,971	\$23,386,619	\$32,183,761	\$30,439,954

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the Town's net position increased by \$1,743,807. The following table summarizes the Town's Statement of Activities:

Municipal Corporation of Cape Charles, Virginia's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 385,314	\$ 309,082	\$ 3,113,450	\$ 2,947,092	\$ 3,498,764	\$ 3,256,174
Operating grants and contributions	558,235	781,367	51,433	-	609,668	781,367
Capital grants and contributions	48,000	226,195	30,754	10,586	78,754	236,781
General revenues:						
General property taxes	1,749,595	1,510,056	-	-	1,749,595	1,510,056
Other local taxes	1,569,161	1,218,900	-	-	1,569,161	1,218,900
Grants and other contributions not restricted	69,114	70,132	-	-	69,114	70,132
Other general revenues	49,789	37,426	747,255	673,498	797,044	710,924
Total revenues	\$ 4,429,208	\$ 4,153,158	\$ 3,942,892	\$ 3,631,176	\$ 8,372,100	\$ 7,784,334
Expenses:						
General government administration						
	\$ 952,855	\$ 1,561,687	\$ -	\$ -	\$ 952,855	\$ 1,561,687
Public safety	640,839	658,500	-	-	640,839	658,500
Public works	617,350	552,730	-	-	617,350	552,730
Parks, recreation, and cultural	381,941	373,047	-	-	381,941	373,047
Community development	806,835	121,252	-	-	806,835	121,252
Interest and other fiscal charges	16,979	25,278	-	-	16,979	25,278
Enterprise funds	-	-	3,211,494	3,067,932	3,211,494	3,067,932
Total expenses	\$ 3,416,799	\$ 3,292,494	\$ 3,211,494	\$ 3,067,932	\$ 6,628,293	\$ 6,360,426
Transfers	\$ (102,954)	\$ (115,549)	\$ 102,954	\$ 115,549	\$ -	\$ -
Change in net position	\$ 909,455	\$ 745,115	\$ 834,352	\$ 678,793	\$ 1,743,807	\$ 1,423,908
Beginning of year	7,053,335	6,308,220	23,386,619	22,707,826	30,439,954	29,016,046
End of year	<u>\$ 7,962,790</u>	<u>\$ 7,053,335</u>	<u>\$ 24,220,971</u>	<u>\$ 23,386,619</u>	<u>\$ 32,183,761</u>	<u>\$ 30,439,954</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Town's Funds

As noted earlier, the Town used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a fund balance of \$3,110,549, an increase of \$953,795 in comparison with the prior year. \$2,751,946 of June 30, 2022, fund balance was unassigned.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$3,540,188. Total net position increased \$834,352.

General Fund Budgetary Highlights

During the year, actual revenues and other sources were more than budgetary estimates by \$428,618. Actual expenditures and other uses were less than budgetary estimates by \$355,050, resulting in a positive variance of \$783,668.

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental activities and business type activities as of June 30, 2022, amounts to \$5,501,2066 and \$25,286,006, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the Town's capital assets can be found in Note 5 of this report.

Long-term debt - At the end of the current fiscal year, the Town had total long-term debt outstanding of \$5,908,792. Of this amount, \$5,798,735 comprises debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents amounts secured solely by specific property (notes payable and equipment leases).

During the current fiscal year, the Town's total debt outstanding decreased by \$598,371.

Additional information on the Town's long-term debt can be found in Note 6 of this report.

Next Year's Budgets

The fiscal year 2023 budget increased by approximately 8%.

Requests for Information

This financial report is designed to provide a general overview of the Municipal Corporation of Cape Charles, Virginia's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, 2 Plum Street, Cape Charles, Virginia 23310.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Municipal Corporation of Cape Charles, Virginia
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,040,535	\$ 1,841,098	\$ 4,881,633
Investments	674,665	104,496	779,161
Receivables (net of allowance for uncollectibles):			
Taxes receivable	57,458	-	57,458
Accounts receivable	174,911	443,690	618,601
Other receivable	-	157	157
Leases receivable	8,245	-	8,245
Due from other governmental units	24,952	-	24,952
Inventories	-	9,636	9,636
Prepaid items	69,366	19,327	88,693
Net pension asset	562,262	187,421	749,683
Restricted assets:			
Investments - facility fees	-	1,740,293	1,740,293
Investments - bond reserve	-	257,646	257,646
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,165,460	-	2,165,460
Buildings and improvements	746,814	97,726	844,540
Improvements other than buildings	-	4,873,678	4,873,678
Water and sewer system	-	19,976,595	19,976,595
Machinery and equipment	190,958	272,966	463,924
Leased equipment	27,828	-	27,828
Infrastructure	2,370,146	-	2,370,146
Construction in progress	-	65,041	65,041
Total assets	<u>\$ 10,113,600</u>	<u>\$ 29,889,770</u>	<u>\$ 40,003,370</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 170,370	\$ 56,790	\$ 227,160
OPEB related items	19,440	6,478	25,918
Total deferred outflows of resources	<u>\$ 189,810</u>	<u>\$ 63,268</u>	<u>\$ 253,078</u>
LIABILITIES			
Accounts payable	\$ 51,388	\$ 209,809	\$ 261,197
Accrued liabilities	485,714	22,502	508,216
Customers' deposits	-	16,768	16,768
Accrued interest payable	-	35,634	35,634
Unearned revenue	372,370	180,179	552,549
Long-term liabilities:			
Due within one year	139,140	497,665	636,805
Due in more than one year	861,630	4,631,425	5,493,055
Total liabilities	<u>\$ 1,910,242</u>	<u>\$ 5,593,982</u>	<u>\$ 7,504,224</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 387,871	\$ 129,290	\$ 517,161
OPEB related items	26,384	8,795	35,179
Lease deferrals	8,245	-	8,245
Deferred revenue - property taxes	7,878	-	7,878
Total deferred inflows of resources	<u>\$ 430,378</u>	<u>\$ 138,085</u>	<u>\$ 568,463</u>
NET POSITION			
Net investment in capital assets	\$ 4,662,031	\$ 20,216,389	\$ 24,878,420
Restricted:			
Debt service and bond covenants	-	257,646	257,646
Net pension asset	562,262	187,421	749,683
Unrestricted	2,738,497	3,559,515	6,298,012
Total net position	<u>\$ 7,962,790</u>	<u>\$ 24,220,971</u>	<u>\$ 32,183,761</u>

The notes to the financial statements are an integral part of this statement.

Municipal Corporation of Cape Charles, Virginia
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 952,855	\$ 2,400	\$ -	\$ -	\$ (950,455)	\$ -	\$ (950,455)
Public safety	640,839	382,814	202,667	-	(55,358)	-	(55,358)
Public works	617,350	-	1,329	48,000	(568,021)	-	(568,021)
Parks, recreation, and cultural	381,941	100	2,500	-	(379,341)	-	(379,341)
Community development	806,835	-	351,739	-	(455,096)	-	(455,096)
Interest on long-term debt	16,979	-	-	-	(16,979)	-	(16,979)
Total governmental activities	\$ 3,416,799	\$ 385,314	\$ 558,235	\$ 48,000	\$ (2,425,250)	\$ -	\$ (2,425,250)
Business-type activities:							
Water and Sewer	\$ 1,907,126	\$ 1,940,511	\$ 51,433	\$ -	\$ -	\$ 84,818	\$ 84,818
Harbor	1,038,899	926,710	-	30,754	-	(81,435)	(81,435)
Sanitation	265,469	246,229	-	-	-	(19,240)	(19,240)
Total business-type activities	\$ 3,211,494	\$ 3,113,450	\$ 51,433	\$ 30,754	\$ -	\$ (15,857)	\$ (15,857)
Total primary government	\$ 6,628,293	\$ 3,498,764	\$ 609,668	\$ 78,754	\$ (2,425,250)	\$ (15,857)	\$ (2,441,107)
General revenues:							
General property taxes					\$ 1,749,595	\$ -	\$ 1,749,595
Restaurant food taxes					723,449	-	723,449
Business license taxes					255,036	-	255,036
Hotel and motel room taxes					376,800	-	376,800
Other local taxes					213,876	-	213,876
Unrestricted revenues from use of money and property					33,800	4,784	38,584
Miscellaneous					15,989	742,471	758,460
Grants and contributions not restricted to specific programs					69,114	-	69,114
Transfers					(102,954)	102,954	-
Total general revenues and transfers					\$ 3,334,705	\$ 850,209	\$ 4,184,914
Change in net position					\$ 909,455	\$ 834,352	\$ 1,743,807
Net position - beginning					7,053,335	23,386,619	30,439,954
Net position - ending					\$ 7,962,790	\$ 24,220,971	\$ 32,183,761

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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Municipal Corporation of Cape Charles, Virginia
Balance Sheet
Governmental Funds
June 30, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,387,966	\$ 375,067	\$ 277,502	\$ 3,040,535
Investments	674,665	-	-	674,665
Receivables:				
Taxes receivable	57,458	-	-	57,458
Accounts receivable	174,911	-	-	174,911
Lease receivable	8,245	-	-	8,245
Due from other funds	-	-	9,038	9,038
Due from other governmental units	24,952	-	-	24,952
Prepaid items	69,366	-	-	69,366
Total assets	<u>\$ 3,397,563</u>	<u>\$ 375,067</u>	<u>\$ 286,540</u>	<u>\$ 4,059,170</u>
LIABILITIES				
Accounts payable	\$ 51,388	\$ -	\$ -	\$ 51,388
Accrued liabilities	485,714	-	-	485,714
Unearned revenue	-	372,370	-	372,370
Due to other funds	9,038	-	-	9,038
Total liabilities	<u>\$ 546,140</u>	<u>\$ 372,370</u>	<u>\$ -</u>	<u>\$ 918,510</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 21,866	\$ -	\$ -	\$ 21,866
Lease deferrals	8,245	-	-	8,245
Total deferred inflows of resources	<u>\$ 30,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,111</u>
FUND BALANCE				
Nonspendable:				
Prepaid items	\$ 69,366	\$ -	\$ -	\$ 69,366
Committed	-	2,697	286,540	289,237
Unassigned	2,751,946	-	-	2,751,946
Total fund balance	<u>\$ 2,821,312</u>	<u>\$ 2,697</u>	<u>\$ 286,540</u>	<u>\$ 3,110,549</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,397,563</u>	<u>\$ 375,067</u>	<u>\$ 286,540</u>	<u>\$ 4,059,170</u>

The notes to the financial statements are an integral part of this statement.

Municipal Corporation of Cape Charles, Virginia
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund		\$ 3,110,549
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	\$ 10,455,139	
Accumulated depreciation	<u>(4,953,933)</u>	5,501,206
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		562,262
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue.		
Unavailable property taxes		13,988
Deferred outflows of resources are not available to pay for current period expenditures, and therefore, are not reported in the funds.		
Pension related items	\$ 170,370	
OPEB related items	<u>19,440</u>	189,810
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Bonds and notes payable	\$ (811,066)	
Lease liabilities	(28,109)	
Net OPEB liability	(61,299)	
Compensated absences	<u>(100,296)</u>	(1,000,770)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (387,871)	
OPEB related items	<u>(26,384)</u>	(414,255)
Net position of governmental activities		<u><u>\$ 7,962,790</u></u>

The notes to the financial statements are an integral part of this statement.

Municipal Corporation of Cape Charles, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 1,795,175	\$ -	\$ -	\$ -	\$ 1,795,175
Other local taxes	1,569,161	-	-	-	1,569,161
Permits, privilege fees, and regulatory licenses	325,749	-	-	-	325,749
Fines and forfeitures	56,740	-	-	-	56,740
Revenue from the use of money and property	36,057	143	-	-	36,200
Charges for services	425	-	-	-	425
Miscellaneous	11,188	4,801	-	-	15,989
Recovered costs	58,563	92,237	-	-	150,800
Intergovernmental:					
Commonwealth	101,693	17,500	-	-	119,193
Federal	53,172	502,984	-	-	556,156
Total revenues	<u>\$ 4,007,923</u>	<u>\$ 617,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,625,588</u>
EXPENDITURES					
Current:					
General government administration	\$ 924,699	\$ -	\$ -	\$ -	\$ 924,699
Public safety	708,355	15,000	-	-	723,355
Public works	569,992	-	-	-	569,992
Parks, recreation, and cultural	267,662	10,383	-	-	278,045
Community development	224,158	589,585	-	-	813,743
Capital projects	-	-	-	121,615	121,615
Debt service:					
Principal retirement	5,989	-	139,782	-	145,771
Interest and other fiscal charges	1,583	-	24,263	-	25,846
Total expenditures	<u>\$ 2,702,438</u>	<u>\$ 614,968</u>	<u>\$ 164,045</u>	<u>\$ 121,615</u>	<u>\$ 3,603,066</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,305,485</u>	<u>\$ 2,697</u>	<u>\$ (164,045)</u>	<u>\$ (121,615)</u>	<u>\$ 1,022,522</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ 266,999	\$ 408,155	\$ 675,154
Transfers out	(675,154)	-	(102,954)	-	(778,108)
Issuance of lease liabilities	8,248	-	-	-	8,248
Issuance of note payable	25,979	-	-	-	\$ 25,979
Total other financing sources (uses)	<u>\$ (640,927)</u>	<u>\$ -</u>	<u>\$ 164,045</u>	<u>\$ 408,155</u>	<u>\$ (68,727)</u>
Net change in fund balance	\$ 664,558	\$ 2,697	\$ -	\$ 286,540	\$ 953,795
Fund balance - beginning	2,156,754	-	-	-	2,156,754
Fund balance - ending	<u>\$ 2,821,312</u>	<u>\$ 2,697</u>	<u>\$ -</u>	<u>\$ 286,540</u>	<u>\$ 3,110,549</u>

The notes to the financial statements are an integral part of this statement.

Municipal Corporation of Cape Charles, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental fund \$ 953,795

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital asset additions	\$ 76,923	
Depreciation expense	<u>(272,132)</u>	(195,209)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of changes in unavailable taxes.

Increase (decrease) in unavailable property taxes		(45,580)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. A summary of items supporting this adjustment is as follows:

Principal retirement on general obligation bonds	\$ 97,346	
Principal retirement on notes payable	42,436	
Principal retirement on lease liabilities	5,989	
Issuance of lease liabilities	(8,248)	
Issuance of notes payable	<u>(25,979)</u>	111,544

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (720)	
Change in OPEB related items	3,237	
Change in pension related items	73,521	
(Increase) decrease in accrued interest payable	<u>8,867</u>	84,905

Change in net position of governmental activities		<u><u>\$ 909,455</u></u>
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The notes to the financial statements are an integral part of this statement.

Municipal Corporation of Cape Charles, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2022

	Water and Sewer	Harbor	Sanitation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,570,118	\$ 45,460	\$ 225,520	\$ 1,841,098
Investments	104,496	-	-	104,496
Accounts receivable, net of allowance for uncollectibles	182,510	242,969	18,211	443,690
Other receivables	157	-	-	157
Inventories	-	9,636	-	9,636
Prepaid items	19,327	-	-	19,327
Total current assets	<u>\$ 1,876,608</u>	<u>\$ 298,065</u>	<u>\$ 243,731</u>	<u>\$ 2,418,404</u>
Noncurrent assets:				
Net pension asset	\$ 187,421	\$ -	\$ -	\$ 187,421
Restricted assets:				
Investments - facility fees	\$ 1,740,293	\$ -	\$ -	\$ 1,740,293
Investments - bond reserve	257,646	-	-	257,646
Total restricted assets	<u>\$ 1,997,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,997,939</u>
Capital assets (net of accumulated depreciation):				
Water and sewer system	\$ 19,976,595	\$ -	\$ -	\$ 19,976,595
Buildings and improvements	-	97,726	-	97,726
Improvements other than buildings	-	4,873,678	-	4,873,678
Machinery and equipment	165,260	102,962	4,744	272,966
Construction in progress	65,041	-	-	65,041
Total capital assets	<u>\$ 20,206,896</u>	<u>\$ 5,074,366</u>	<u>\$ 4,744</u>	<u>\$ 25,286,006</u>
Total noncurrent assets	<u>\$ 22,392,256</u>	<u>\$ 5,074,366</u>	<u>\$ 4,744</u>	<u>\$ 27,471,366</u>
Total assets	<u>\$ 24,268,864</u>	<u>\$ 5,372,431</u>	<u>\$ 248,475</u>	<u>\$ 29,889,770</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 56,790	\$ -	\$ -	\$ 56,790
OPEB related items	6,478	-	-	6,478
Total deferred outflows of resources	<u>\$ 63,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,268</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 44,413	\$ 143,758	\$ 21,638	\$ 209,809
Accrued liabilities	21,833	669	-	22,502
Interest payable	25,594	10,040	-	35,634
Unearned revenue	180,179	-	-	180,179
Customer deposits payable	16,768	-	-	16,768
Bonds payable - current portion	412,330	81,431	-	493,761
Compensated absences - current portion	3,904	-	-	3,904
Total current liabilities	<u>\$ 705,021</u>	<u>\$ 235,898</u>	<u>\$ 21,638</u>	<u>\$ 962,557</u>
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ 4,014,394	\$ 561,462	\$ -	\$ 4,575,856
Compensated absences - net of current portion	35,136	-	-	35,136
Net OPEB liability	20,433	-	-	20,433
Total noncurrent liabilities	<u>\$ 4,069,963</u>	<u>\$ 561,462</u>	<u>\$ -</u>	<u>\$ 4,631,425</u>
Total liabilities	<u>\$ 4,774,984</u>	<u>\$ 797,360</u>	<u>\$ 21,638</u>	<u>\$ 5,593,982</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 129,290	\$ -	\$ -	\$ 129,290
OPEB related items	8,795	-	-	8,795
Total deferred inflows of resources	<u>\$ 138,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,085</u>
NET POSITION				
Net investment in capital assets	\$ 15,780,172	\$ 4,431,473	\$ 4,744	\$ 20,216,389
Nonspendable	19,327	-	-	19,327
Restricted for debt service and bond covenants	257,646	-	-	257,646
Restricted for net pension asset	187,421	-	-	187,421
Unrestricted	3,174,497	143,598	222,093	3,540,188
Total net position	<u>\$ 19,419,063</u>	<u>\$ 4,575,071</u>	<u>\$ 226,837</u>	<u>\$ 24,220,971</u>

The notes to the financial statements are an integral part of this statement.

Municipal Corporation of Cape Charles, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	<u>Water and Sewer</u>	<u>Harbor</u>	<u>Sanitation</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services:				
Water	\$ 640,700	\$ -	\$ -	\$ 640,700
Sewer	1,153,784	-	-	1,153,784
Harbor fees	-	395,308	-	395,308
Refuse collection	-	-	243,005	243,005
Fuel and oil sales	-	524,557	-	524,557
Penalties	25,297	-	3,224	28,521
Other revenues	-	6,845	-	6,845
Miscellaneous	276	-	-	276
Total operating revenues	<u>\$ 1,820,057</u>	<u>\$ 926,710</u>	<u>\$ 246,229</u>	<u>\$ 2,992,996</u>
OPERATING EXPENSES				
Personnel services	\$ 418,223	\$ 11,389	\$ -	\$ 429,612
Fringe benefits	86,638	2,856	-	89,494
Contractual services	136,375	253,412	247,889	637,676
Other supplies and expenses	524,483	544,930	15,208	1,084,621
Depreciation	679,437	201,411	2,372	883,220
Total operating expenses	<u>\$ 1,845,156</u>	<u>\$ 1,013,998</u>	<u>\$ 265,469</u>	<u>\$ 3,124,623</u>
Operating income (loss)	<u>\$ (25,099)</u>	<u>\$ (87,288)</u>	<u>\$ (19,240)</u>	<u>\$ (131,627)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	\$ 4,784	\$ -	\$ -	\$ 4,784
Connection fees	120,730	-	-	120,730
Facility fees	742,195	-	-	742,195
COVID-19 ARPA funds	51,433	-	-	51,433
Interest and fiscal charges	(61,970)	(24,901)	-	(86,871)
Total nonoperating revenues (expenses)	<u>\$ 857,172</u>	<u>\$ (24,901)</u>	<u>\$ -</u>	<u>\$ 832,271</u>
Income (loss) before contributions and transfers in	<u>\$ 832,073</u>	<u>\$ (112,189)</u>	<u>\$ (19,240)</u>	<u>\$ 700,644</u>
Capital contributions and construction grants:				
Federal	-	30,754	-	30,754
Transfers in	-	102,954	-	102,954
Change in net position	<u>\$ 832,073</u>	<u>\$ 21,519</u>	<u>\$ (19,240)</u>	<u>\$ 834,352</u>
Net position - beginning	18,586,990	4,553,552	246,077	23,386,619
Net position - ending	<u>\$ 19,419,063</u>	<u>\$ 4,575,071</u>	<u>\$ 226,837</u>	<u>\$ 24,220,971</u>

The notes to the financial statements are an integral part of this statement.

Municipal Corporation of Cape Charles, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	<u>Water and Sewer</u>	<u>Harbor</u>	<u>Sanitation</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,809,330	\$ 819,693	\$ 247,712	\$ 2,876,735
Payments for operating expenses	(717,689)	(724,436)	(277,427)	(1,719,552)
Payments to employees	(532,393)	(14,245)	-	(546,638)
Net cash provided by (used for) operating activities	<u>\$ 559,248</u>	<u>\$ 81,012</u>	<u>\$ (29,715)</u>	<u>\$ 610,545</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	\$ -	\$ 102,954	\$ -	\$ 102,954
COVID-19 federal grant	51,433	-	-	51,433
Net cash provided by (used for) noncapital financing activities	<u>\$ 51,433</u>	<u>\$ 102,954</u>	<u>\$ -</u>	<u>\$ 154,387</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	\$ (66,884)	\$ (66,309)	\$ -	\$ (133,193)
Principal payments on bonds	(408,135)	(78,692)	-	(486,827)
Connection fees	79,660	-	-	79,660
Facility fees	742,195	-	-	742,195
Capital grants	-	30,754	-	30,754
Interest payments	(60,933)	(24,259)	-	(85,192)
Net cash provided by (used for) capital and related financing activities	<u>\$ 285,903</u>	<u>\$ (138,506)</u>	<u>\$ -</u>	<u>\$ 147,397</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	\$ (1,740,293)	\$ -	\$ -	(1,740,293)
Interest and dividends received	4,451	-	-	4,451
Net cash provided by (used for) investing activities	<u>\$ (1,735,842)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,735,842)</u>
Net increase (decrease) in cash and cash equivalents	\$ (839,258)	\$ 45,460	\$ (29,715)	\$ (823,513)
Cash and cash equivalents - beginning, including restricted of \$1,640,457	2,409,376	-	255,235	2,664,611
Cash and cash equivalents - ending	<u>\$ 1,570,118</u>	<u>\$ 45,460</u>	<u>\$ 225,520</u>	<u>\$ 1,841,098</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (25,099)	\$ (87,288)	\$ (19,240)	\$ (131,627)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 679,437	\$ 201,411	\$ 2,372	\$ 883,220
(Increase) decrease in accounts receivable	(14,342)	(107,017)	1,483	(119,876)
(Increase) decrease in deferred outflows of resources	11,674	-	-	11,674
Increase (decrease) in deferred inflows of resources	124,584	-	-	124,584
(Increase) decrease in net pension asset	(151,819)	-	-	(151,819)
Increase (decrease) in net OPEB liability	(10,023)	-	-	(10,023)
(Increase) decrease in inventories	-	(470)	-	(470)
(Increase) decrease in prepaid items	(15,451)	-	-	(15,451)
Increase (decrease) in customer deposits	3,615	-	-	3,615
Increase (decrease) in accounts payable	(41,373)	74,376	(14,330)	18,673
Increase (decrease) in accrued liabilities	(7)	-	-	(7)
Increase (decrease) in compensated absences	(1,948)	-	-	(1,948)
Total adjustments	<u>\$ 584,347</u>	<u>\$ 168,300</u>	<u>\$ (10,475)</u>	<u>\$ 742,172</u>
Net cash provided by (used for) operating activities	<u>\$ 559,248</u>	<u>\$ 81,012</u>	<u>\$ (29,715)</u>	<u>\$ 610,545</u>

The notes to the financial statements are an integral part of this statement.

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies:

The Municipal Corporation of Cape Charles, Virginia (the "Municipal Corp.") is governed by an elected mayor and a six-member Council. The Municipal Corp. provides a full range of services for its citizens. These services include police protection, sanitation services, and utilities.

The financial statements of Municipal Corporation of Cape Charles, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the Municipal Corp.'s accounting policies are described below.

Financial Statement

Government-wide and Fund Financial Statements

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 1 – Summary of Significant Accounting Policies: (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Municipal Corp. of Cape Charles (the primary government). Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is both legally and substantively separate from the government.

B. Individual Component Unit Disclosures

Blended Component Units. The Municipal Corp. has no blended component units at June 30, 2022.

Discretely Presented Component Units. - The Municipal Corp. has no discretely presented component units at June 30, 2022.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 – Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utility and subsequently remitted to the Municipal Corp., are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Municipal Corp.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the Municipal Corp. are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 1 – Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

The General Fund is the primary operating fund of the Municipal Corp. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

The Special Revenue Fund is used to account for and report special activities. Revenues are derived primarily from recovered costs and state and federal grants. The Special Revenue Fund is considered a major fund for reporting purposes.

The Debt Service Fund is used to account for and report debt issuances and debt repayments. Revenues are derived primarily from transfers from other Municipal Corp. funds and issuances of debt. The Debt Service Fund is considered a major fund for reporting purposes.

The Capital Projects Fund is used to account for and report construction activity. Revenues are derived primarily from transfers from other Municipal Corp. funds and state and federal grants. The Capital Projects Fund is considered a major fund for reporting purposes.

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds

Enterprise funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water and Sewer, Harbor, and Sanitation Funds.

D. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Restricted cash consists of facility fees collected for future expansion of the water/sewer system.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 1 – Summary of Significant Accounting Policies: (Continued)

E. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Restricted investments consist of reserve accounts established as required by Rural Development bond covenants.

F. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Municipal Corp. calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible utility billing, sanitation billing and harbor billing amounted to \$22,080, \$11,293, and \$59,165, respectively, at June 30, 2022. The allowance for uncollectible property taxes was \$61,357 at June 30, 2022.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The Municipal Corp. bills and collects its own property taxes. Property taxes are based upon the rate levied by Municipal Corp. Council multiplied by the taxable assessed value. The assessed value of real and personal property is determined for the Municipal Corp. by the Commissioner of Revenue of the County of Northampton.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 1 – Summary of Significant Accounting Policies: (Continued)

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Municipal Corp. as land, buildings, and equipment with an initial individual cost of more than \$5,000 (with the exception of land values) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

As the Municipal Corp. constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, leased equipment, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-40
Improvements other than buildings	5-40
Machinery and equipment	3-20
Leased equipment	3-10
Water/sewer system	15-50
Infrastructure	25

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 1 – Summary of Significant Accounting Policies: (Continued)

J. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Municipal Corp. will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Municipal Corp.'s policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

L. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Corp.'s Retirement Plan and the additions to/deductions from the Municipal Corp.'s Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 1 – Summary of Significant Accounting Policies: (Continued)

N. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities or business-type activities statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

O. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of items for resale. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

P. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (Corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When fund balance resources are available for a specific purpose in more than one classification, it is the Municipal Corp.'s policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 1 – Summary of Significant Accounting Policies: (Continued)

P. Fund Balance (Continued)

Municipal Corp. Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Municipal Corp. Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Municipal Corp. has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on this item, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Municipal Corp. has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and amount prepaid on next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as inflows of resources. In addition, certain items related to pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Note 2 – Stewardship, Compliance, and Accounting:

The following procedures are used by the Municipal Corp. in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1st, the Town Manager submits to the Municipal Corp. Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Municipal Corp. Council or Municipal Corp. Manager.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all Municipal Corp. units.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 2 – Stewardship, Compliance, and Accounting: (Continued)

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund for the fiscal year ended June 30, 2022.

Note 3 – Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The Municipal Corp.’s rated debt investments as of June 30, 2022 were rated by Standard and Poor’s and the ratings are presented below using the Standard & Poor’s rating scale. The Municipal Corp.’s investment policy has an emphasis on high credit quality and known marketability. The Municipal Corp.’s policy seeks to maximize the rate of return on investments while maintaining a low level of risk.

Rated Debt Investments	Fair Quality Rating
	AAAm
Local Government Investment Pool	\$ 436,636
VML/VACO Virginia Investment Pool Stable Nav	2,079,155
Money Market Mutual Fund	261,309
Total	\$ 2,777,100

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 3 – Deposits and Investments: (Continued)

Interest Rate Risk

Investment Type	Investment Maturities (in years)	
	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 436,636	\$ 436,636
VML/VACO Virginia Investment Pool Stable Nav	\$ 2,079,155	\$ 2,079,155
Money Market Mutual Fund	261,309	261,309
Total	<u>\$ 2,777,100</u>	<u>\$ 2,777,100</u>

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Municipal Corp. categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Municipal Corp. maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources.

Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 3 – Deposits and Investments:

Fair Value Measurement (Continued)

The Municipal Corp. has the following recurring fair value measurements as of June 30, 2022:

Investment type	Balance June 30, 2022	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual fund:				
U.S. Government Obligations	\$ 261,309	\$ 261,309	\$ -	\$ -
	<u>\$ 261,309</u>	<u>\$ 261,309</u>	<u>\$ -</u>	<u>\$ -</u>

External Investment Pools

The fair value of the position in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Municipal Corp. has measured fair value of the above Virginia Investment Pool Investment at the net asset value (NAV). The VaCO/VML Virginia Investment Pool allows the Municipal Corp. to have the option to have access to withdraw funds twice a month, with a five-day notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources with one-time outlays (disasters, immediate capital needs, state budget cuts, etc.).

Note 4 – Due from Other Governments:

At June 30, 2022, the Municipal Corp. has receivables from other governments as follows:

	Governmental Activities
Other Local Governments:	
County of Northampton	\$ 19,564
Commonwealth of Virginia:	
Communications tax	5,388
Total due from other governments	<u>\$ 24,952</u>

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 5 – Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2022:

Governmental Activities:	Balance July 1, 2021	Adjustments	Adjusted Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not subject to depreciation:						
Land and land improvements	\$ 2,165,460	\$ -	\$ 2,165,460	\$ -	\$ -	\$ 2,165,460
Capital assets subject to depreciation:						
Buildings and improvements	\$ 3,569,336	\$ -	\$ 3,569,336	\$ -	\$ -	\$ 3,569,336
Machinery and equipment	1,557,978	-	1,557,978	68,675	-	1,626,653
Infrastructure	3,059,592	-	3,059,592	-	-	3,059,592
Leased equipment	-	25,850	25,850	8,248	-	34,098
Total capital assets subject to depreciation	\$ 8,186,906	\$ 25,850	\$ 8,212,756	\$ 76,923	\$ -	\$ 8,289,679
Accumulated depreciation:						
Buildings and improvements	\$ 2,747,987	\$ -	\$ 2,747,987	\$ 74,535	\$ -	\$ 2,822,522
Machinery and equipment	1,366,467	-	1,366,467	69,228	-	1,435,695
Infrastructure	567,347	-	567,347	122,099	-	689,446
Leased equipment	-	-	-	6,270	-	6,270
Total accumulated depreciation	\$ 4,681,801	\$ -	\$ 4,681,801	\$ 272,132	\$ -	\$ 4,953,933
Total capital assets subject to depreciation, net	\$ 3,505,105	\$ 25,850	\$ 3,530,955	\$ (195,209)	\$ -	\$ 3,335,746
Governmental activities capital assets, net	\$ 5,670,565	\$ 25,850	\$ 5,696,415	\$ (195,209)	\$ -	\$ 5,501,206

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 5 – Capital Assets: (Continued)

Business-type Activities:	Balance July 1, 2021	Additions	Reclass	Balance June 30, 2022
Capital assets not subject to depreciation:				
Construction in progress	\$ 12,657	\$ 52,384	\$ -	\$ 65,041
Capital assets subject to depreciation:				
Water and sewer system	\$ 30,283,547	\$ -	\$ 75,734	\$ 30,207,813
Buildings and improvements	755,670	-	-	755,670
Improvements other than buildings	8,312,793	66,309	111,768	8,267,334
Machinery and equipment	956,130	14,500	(187,502)	1,158,132
 Total capital assets subject to depreciation	 \$ 40,308,140	 \$ 80,809	 \$ -	 \$ 40,388,949
Accumulated depreciation:				
Water and sewer system	\$ 9,602,635	\$ 637,215	\$ 8,632	\$ 10,231,218
Buildings and improvements	625,368	32,576	-	657,944
Improvements other than buildings	3,236,421	157,235	-	3,393,656
Machinery and equipment	820,340	56,194	(8,632)	885,166
 Total accumulated depreciation	 \$ 14,284,764	 \$ 883,220	 \$ -	 \$ 15,167,984
 Total capital assets subject to depreciation, net	 \$ 26,023,376	 \$ (802,411)	 \$ -	 \$ 25,220,965
 Business-type activities capital assets, net	 \$ 26,036,033	 \$ (750,027)	 \$ -	 \$ 25,286,006

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 65,675
Public safety	6,019
Public works	49,870
Parks, recreation and cultural	150,568
 Total governmental activities	 \$ 272,132

Business-type activities:

Water and Sewer	\$ 679,437
Harbor	201,411
Sanitation	2,372
 Total business-type activities	 \$ 883,220

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 6 – Long-term Obligations:

The following is a summary of long-term obligation transactions of the Municipal Corp. for the year ended June 30, 2022:

	Balance July 1, 2021	Adjustments	Adjusted Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Amounts Due Within One Year
Governmental activities:							
Compensated absences	\$ 99,576	\$ -	\$ 99,576	\$ 10,678	\$ 9,958	\$ 100,296	\$ 10,030
Net OPEB liability	91,369	-	91,369	19,358	49,428	61,299	-
Lease liabilities	-	25,850	25,850	8,248	5,989	28,109	6,824
Direct borrowings and placements:							
General obligation bonds	826,464	-	826,464	-	97,346	729,118	99,900
Notes payable	98,405	-	98,405	25,979	42,436	81,948	22,386
Total obligations from governmental activities	\$ 1,115,814	\$ 25,850	\$ 1,141,664	\$ 64,263	\$ 205,157	\$ 1,000,770	\$ 139,140
Business-type activities:							
Compensated absences	\$ 40,988	-	40,988	\$ 2,151	\$ 4,099	\$ 39,040	\$ 3,904
Net OPEB liability	30,456	-	30,456	6,452	16,475	20,433	-
Direct borrowings and placements:							
General obligation bonds	5,556,444	-	5,556,444	-	486,827	5,069,617	493,761
Total obligations from business-type activities	\$ 5,627,888	\$ -	\$ 5,627,888	\$ 8,603	\$ 507,401	\$ 5,129,090	\$ 497,665
Total long-term obligations	\$ 6,743,702	\$ 25,850	\$ 6,769,552	\$ 72,866	\$ 712,558	\$ 6,129,860	\$ 636,805

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 6 – Long-term Obligations: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30	Governmental Activities						Business-type Activities Obligations	
	Direct Borrowings and Placements						General	
	Lease Liabilities		Obligation Bonds		Notes Payable		Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 6,824	\$ 1,376	\$ 99,900	\$ 18,899	\$ 22,386	\$ 2,051	\$ 493,761	\$ 76,869
2024	7,203	996	102,870	16,379	22,991	1,521	499,305	69,641
2025	7,604	595	105,398	13,813	18,411	823	506,776	62,282
2026	5,857	184	107,493	11,187	18,160	409	515,682	54,709
2027	621	7	110,527	8,401	-	-	523,648	46,453
2028	-	-	49,747	6,238	-	-	535,427	38,299
2029	-	-	51,513	4,613	-	-	546,661	29,264
2030	-	-	53,265	2,933	-	-	553,413	19,898
2031	-	-	16,485	1,210	-	-	381,689	10,315
2032	-	-	16,905	798	-	-	385,269	6,802
2033	-	-	7,455	375	-	-	63,545	3,200
2034	-	-	7,560	189	-	-	64,441	1,611
Total	\$ 28,109	\$ 3,158	\$ 729,118	\$ 85,035	\$ 81,948	\$ 4,804	\$ 5,069,617	\$ 419,343

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 6 – Long-term Obligations: (Continued)

Long-term obligations at June 30, 2022 are as follows:

	<u>Amount Outstanding</u>
<u>Details of Long-term Indebtedness:</u>	
<u>Governmental Activities:</u>	
Lease liabilities:	
Equipment lease - postage equipment - issued 7/1/21 through 10/1/25 @ 5.00%, quarterly payments of \$830	\$ 10,597
Equipment lease - copier - issued 7/1/21 through 4/27/26 @ 5.99%, monthly payments of \$250	10,241
Equipment lease - copier - issued 10/28/21 through 10/28/26 @ 5.35%, monthly payments of \$157	7,271
Total lease liabilities	<u>\$ 28,109</u>
<u>Direct borrowings and placements:</u>	
General Obligation Bonds:	
\$2,120,000 recovery act general obligation bond issued March 2, 2010, due in various annual installments through February 15, 2030, interest at various rates from 3.518% to 6.567%, loan split between general government and enterprise funds.	\$ 237,930
\$978,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through August 1, 2026, interest at 2.10%, loan split between general government and enterprise funds.	323,188
\$2,183,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through February 1, 2034, interest at 2.50%, loan split between general government and enterprise funds.	<u>168,000</u>
Total general obligation bonds	<u>\$ 729,118</u>
Notes Payable:	
\$90,000 Rural Development note issued June 23, 2021, due in annual installments of \$19,234 through June, 2027, interest at 2.25%. This note is secured by equipment.	\$ 72,187
\$23,000 Rural Development note issued June 26, 2019, due in annual installments of \$5,203 through June, 2024, interest at 4.25%. This note is secured by a police vehicle.	<u>9,761</u>
Total notes payable	<u>\$ 81,948</u>

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 6 – Long-term Obligations: (Continued)

Long-term obligations at June 30, 2022 are as follows: (continued)

	<u>Amount Outstanding</u>
<u>Details of Long-term Indebtedness: (Continued)</u>	
<u>Governmental Activities: (Continued)</u>	
<u>Other liabilities:</u>	
Compensated Absences (payable from the General Fund)	\$ 100,296
Net OPEB Liability (payable from the General Fund)	\$ 61,299
Total governmental activities obligations payable	<u>\$ 1,000,770</u>
<u>Business-type Activities:</u>	
<u>Direct borrowings and placements:</u>	
General Obligation Bonds:	
\$2,120,000 recovery act general obligation bond issued March 2, 2010, due in various annual installments through February 15, 2030, interest at various rates from 3.518% to 6.567%, loan split between general government and enterprise funds.	\$ 1,047,070
\$5,151,627 VRA Water Facilities Revolving Fund general obligation bond issued November 30, 2010, due in semi-annual installments of \$128,791 through May, 2032, interest at 0%.	2,411,735
\$978,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through August 1, 2026, interest at 2.10%, loan split between general government and enterprise funds.	178,812
\$2,183,000 general obligation refunding bond issued September 1, 2016, due in various annual installments through February 1, 2034, interest at 2.50%, loan split between general government and enterprise funds.	<u>1,432,000</u>
Total general obligation bonds	<u>\$ 5,069,617</u>
<u>Other liabilities:</u>	
Compensated Absences (payable from Enterprise Funds)	\$ 39,040
Net OPEB Liability (payable from Enterprise Funds)	\$ 20,433
Total business-type activities obligations	<u>\$ 5,129,090</u>

The Municipal Corp. has a working capital line of credit of \$500,000 with Atlantic Union Bank. Advances on the line-of-credit are collateralized by a general blanket assignment of all accounts, contracts or other receivables and proceeds. At June 30, 2022, the Municipal Corp. outstanding balance against this line of credit was \$0 and the interest rate was 3.75%. The line of credit was not utilized during the year ended June 30, 2022.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 7 – Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Unavailable revenue totaling \$21,866 consists of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$13,988 at June 30, 2022.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2022 but paid in advance by the taxpayers totaled \$7,878 at June 30, 2022.

Note 8 – Litigation:

At June 30, 2022, there were no matters of litigation involving the Municipal Corp. or which would materially affect the Municipal Corp.'s financial position should any court decisions on pending matters not be favorable to the Municipal Corp.

Note 9 – Risk Management and Commitments and Contingencies:

The Municipal Corp. is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Municipal Corp. participates with other localities in a public entity risk pool for their coverage of workers' compensation, public officials' liability and all other risks of loss. The Municipal Corp. pays an annual premium to the pools for its general insurance through member premiums. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 – Interfund Transfers:

Interfund transfers for the year ended June 30, 2022, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 675,154
Debt Service	266,999	102,954
Capital Projects	408,155	-
Harbor	102,954	-
Total	<u>\$ 778,108</u>	<u>\$ 778,108</u>

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 11 – Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Municipal Corp. are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 11 – Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total service credit. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	18
Inactive members:	
Vested inactive members	13
Non-vested inactive members	18
Active members active elsewhere in VRS	<u>6</u>
Total inactive members	37
Active members	<u>34</u>
Total covered employees	<u><u>89</u></u>

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 11 – Pension Plan: (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Municipal Corp.’s contractually required employer contribution rate for the year ended June 30, 2022 was 5.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Municipal Corp. were \$74,980 and \$73,284 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Municipal Corp.’s net pension liability (asset) was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Municipal Corp.’s Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 11 – Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related.

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 11 – Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety with Hazardous Duty Benefits employees in the Municipal Corp.'s Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 11 – Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 11 – Pension Plan: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Municipal Corp. was also provided with an opportunity to use an alternative

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 11 – Pension Plan: (Continued)

Discount Rate (Continued)

employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 3,509,499	\$ 3,651,905	\$ (142,406)
Changes for the year:			
Service cost	\$ 164,575	\$ -	\$ 164,575
Interest	233,295	-	233,295
Assumption changes	138,542	-	138,542
Differences between expected and actual experience	43,690	-	43,690
Contributions - employer	-	72,656	(72,656)
Contributions - employee	-	96,800	(96,800)
Net investment income	-	1,020,240	(1,020,240)
Benefit payments, including refunds	(106,543)	(106,543)	-
Administrative expenses	-	(2,414)	2,414
Other changes	-	97	(97)
Net changes	\$ 473,559	\$ 1,080,836	\$ (607,277)
Balances at June 30, 2021	\$ 3,983,058	\$ 4,732,741	\$ (749,683)

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 11 – Pension Plan: (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Municipal Corp. using the discount rate of 6.75%, as well as what the Municipal Corp.'s net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

Rate		
1% Decrease	Current Discount	1% Increase
(5.75%)	(6.75%)	(7.75%)

Municipal Corp.'s

Net Pension Liability (Asset)	\$	(199,521)	\$	(749,683)	\$	(1,198,173)
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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the Municipal Corp. recognized pension expense of (\$23,677). At June 30, 2022, the Municipal Corp. reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,989	\$ 3,260
Change of assumptions	95,191	-
Net difference between projected and actual earnings on pension plan investments	-	513,901
Employer contributions subsequent to the measurement date	74,980	-
Total	\$ 227,160	\$ 517,161

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 11 – Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$74,890 reported as deferred outflows of resources related to pensions resulting from the Municipal Corp.’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2023	\$ (36,398)
2024	(56,731)
2025	(117,513)
2026	(154,339)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members’ paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$8,124 and \$7,823 for the years ended June 30, 2022 and June 30, 2021, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2022, the entity reported a liability of \$81,732 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.00700% as compared to 0.00730% at June 30, 2020.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$3,835. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,322	\$ 623
Net difference between projected and actual earnings on GLI OPEB plan investments	-	19,508
Change in assumptions	4,506	11,183
Changes in proportionate share	3,966	3,865
Employer contributions subsequent to the measurement date	<u>8,124</u>	<u>-</u>
Total	<u>\$ 25,918</u>	<u>\$ 35,179</u>

\$8,124 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2023	\$ (3,540)
2024	(2,633)
2025	(3,166)
2026	(6,323)
2027	(1,723)
Thereafter	-

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	2,413,074
GLI Net OPEB Liability (Asset)	<u>\$ 1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System’s investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 12 – Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Municipal Corp’s proportionate share of the GLI Plan Net OPEB Liability	\$ 119,413	\$ 81,732	\$ 51,302

GLI Plan Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13 – Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Municipal Corp. has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Municipal Corp. to VRSA. VRSA assumes all liability for the Municipal Corp.’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Municipal Corp.’s LODA coverage is fully covered or “insured” through VRSA. This is built into the LODA coverage cost presented in the annual renewals. The Municipal Corp.’s LODA premium for the year ended June 30, 2022 was \$5,605.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 14 – Lease Receivable:

Cape Charles leases land for a water tower site under a lease contract. In fiscal year 2022, the Municipal Corp. recognized lease and interest revenue in the amount of \$2,303 and \$97, respectively. A description of the lease is as follows:

Lease Description	Interest Rate	Installments	Start Date	End Date	Payment Frequency	Ending Balance
Water Tower	1.00%	\$ 600	1/26/2021	1/26/2026	quarterly	\$ 8,245

There are no variable payments for the leases receivable above

Expected future payments at June 30, 2022 are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 2,326	\$ 74	\$ 2,400
2024	2,350	50	2,400
2025	2,373	27	2,400
2026	1,196	4	1,200
Total	<u>\$ 8,245</u>	<u>\$ 155</u>	<u>\$ 8,400</u>

Note 15 – Upcoming Pronouncements:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2022.

Statement No. 92, *Omnibus 2021*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2021 to periods beginning after June 15, 2022.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 15 – Upcoming Pronouncements: (Continued)

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2021. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2021 to reporting periods beginning after June 15, 2022.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Note 16 – COVID-19 Pandemic and Subsequent Events:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Municipal Corp., COVID-19 impacted various parts of its 2022 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Municipal Corp. is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

Note 16 – COVID-19 Pandemic and Subsequent Events: (Continued)

ARPA Funding (Continued)

On June 30, 2021, the Municipal Corp. received its share of the first half of the CSLFRF funds in the amount of \$528,615. On July 22, 2022, the Municipal Corp. received its share of the second half of the CSLFRF funds in the amount of \$528,615. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. On Unspent funds in the amount of \$372,370 from the initial allocation are reported as unearned revenue as of June 30.

On January 17, 2023, the Town signed a comprehensive asset purchase agreement with Virginia American Water. The agreement is for the purchase of drinking water and wastewater assets for up to a maximum value of \$15 million, pending appraised values and regulatory approvals.

Note 17—Adoption of Accounting Principles:

The Municipal Corp. implemented provisions of Governmental Accounting Standards Board Statement Nos. 87, *Leases* and 92, *Omnibus 2020* during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 92, *Omnibus 2020* addresses a variety of topics, including leases. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the lease(s):

	<u>Governmental Activities</u>	<u>General Fund</u>
Primary Government:		
Lessee activity:		
Lease assets	\$ 25,850	
Lease liabilities	\$ 25,850	
Lessor activity:		
Leases receivable	\$ 10,548	\$ 10,548
Deferred inflows of resources - leases	\$ 10,548	\$ 10,548

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REQUIRED SUPPLEMENTARY INFORMATION

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Municipal Corporation of Cape Charles, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,726,811	\$ 1,726,811	\$ 1,795,175	\$ 68,364
Other local taxes	1,229,158	1,334,438	1,569,161	234,723
Permits, privilege fees, and regulatory licenses	145,300	203,350	325,749	122,399
Fines and forfeitures	45,550	56,550	56,740	190
Revenue from the use of money and property	38,150	43,150	36,057	(7,093)
Charges for services	2,900	3,180	425	(2,755)
Miscellaneous	7,450	14,355	11,188	(3,167)
Recovered costs	30,000	31,375	58,563	27,188
Intergovernmental:				
Commonwealth	110,078	110,075	101,693	(8,382)
Federal	29,350	29,350	53,172	23,822
Total revenues	\$ 3,364,747	\$ 3,552,634	\$ 4,007,923	\$ 455,289
EXPENDITURES				
Current:				
General government administration	\$ 1,127,553	\$ 1,113,261	\$ 924,699	\$ 188,562
Public safety - police department	725,695	788,713	708,355	80,358
Public works	541,166	601,663	569,992	31,671
Parks, recreation, and cultural	279,099	267,046	267,662	(616)
Community development	270,325	301,718	224,158	77,560
Debt service:				
Principal retirement	-	5,989	5,989	-
Interest and other fiscal charges	-	1,583	1,583	-
Total expenditures	\$ 2,943,838	\$ 3,079,973	\$ 2,702,438	\$ 377,535
Excess (deficiency) of revenues over (under) expenditures	\$ 420,909	\$ 472,661	\$ 1,305,485	\$ 832,824
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (592,669)	\$ (652,669)	\$ (675,154)	\$ (22,485)
Issuance of lease liabilities	-	8,248	8,248	-
Issuance of notes payable	52,650	52,650	25,979	(26,671)
Total other financing sources (uses)	\$ (540,019)	\$ (591,771)	\$ (640,927)	\$ (49,156)
Net change in fund balance	\$ (119,110)	\$ (119,110)	\$ 664,558	\$ 783,668
Fund balance - beginning	119,110	119,110	2,156,754	2,037,644
Fund balance - ending	\$ -	\$ -	\$ 2,821,312	\$ 2,821,312

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Municipal Corporation of Cape Charles, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Special Revenue Fund
 For the Year Ended June 30, 2022

	Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 143	\$ 143
Miscellaneous	-	17,817	4,801	(13,016)
Recovered costs	100,000	100,000	92,237	(7,763)
Intergovernmental:				
Commonwealth	19,500	19,500	17,500	(2,000)
Federal	828,615	828,615	502,984	(325,631)
Total revenues	<u>\$ 948,115</u>	<u>\$ 965,932</u>	<u>\$ 617,665</u>	<u>\$ (348,267)</u>
EXPENDITURES				
Current:				
Public safety	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Parks, recreation, and cultural	4,500	22,317	10,383	11,934
Community development	928,615	928,615	589,585	339,030
Total expenditures	<u>\$ 948,115</u>	<u>\$ 965,932</u>	<u>\$ 614,968</u>	<u>\$ 350,964</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 2,697	\$ 2,697
Net change in fund balances	\$ -	\$ -	\$ 2,697	\$ 2,697
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,697</u>	<u>\$ 2,697</u>

Municipal Corporation of Cape Charles, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan
 For the Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019
Total pension liability			
Service cost	\$ 164,575	\$ 165,879	\$ 151,056
Interest	233,295	209,212	201,705
Changes in benefit terms	-	-	-
Differences between expected and actual experience	43,690	79,391	(142,946)
Changes of assumptions	138,542	-	97,484
Benefit payments	(106,543)	(88,851)	(89,865)
Net change in total pension liability	<u>\$ 473,559</u>	<u>\$ 365,631</u>	<u>\$ 217,434</u>
Total pension liability - beginning	<u>3,509,499</u>	<u>3,143,868</u>	<u>2,926,434</u>
Total pension liability - ending (a)	<u><u>\$ 3,983,058</u></u>	<u><u>\$ 3,509,499</u></u>	<u><u>\$ 3,143,868</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 72,656	\$ 77,019	\$ 74,902
Contributions - employee	96,800	68,463	77,128
Net investment income	1,020,240	67,944	222,304
Benefit payments	(106,543)	(88,851)	(89,865)
Administrator charges	(2,414)	(2,230)	(2,071)
Other	97	(82)	(141)
Net change in plan fiduciary net position	<u>\$ 1,080,836</u>	<u>\$ 122,263</u>	<u>\$ 282,257</u>
Plan fiduciary net position - beginning	<u>3,651,905</u>	<u>3,529,642</u>	<u>3,247,385</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 4,732,741</u></u>	<u><u>\$ 3,651,905</u></u>	<u><u>\$ 3,529,642</u></u>
Municipal Corporation's net pension liability (asset) - ending (a) - (b)	<u>\$ (749,683)</u>	<u>\$ (142,406)</u>	<u>\$ (385,774)</u>
Plan fiduciary net position as a percentage of the total pension liability	118.82%	104.06%	112.27%
Covered payroll	\$ 1,448,614	\$ 1,483,394	\$ 1,398,895
Municipal Corporation's net pension liability (asset) as a percentage of covered payroll	-51.75%	-9.60%	-27.58%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 12

	2018	2017	2016	2015	2014
\$	146,357	\$ 123,278	\$ 131,962	\$ 117,294	\$ 96,808
	181,520	175,415	171,863	157,456	145,759
	113,556	-	-	-	-
	(53,377)	(45,840)	(145,730)	11,707	-
	-	(51,731)	-	-	-
	(109,532)	(118,285)	(96,412)	(64,863)	(86,097)
\$	<u>278,524</u>	\$ <u>82,837</u>	\$ <u>61,683</u>	\$ <u>221,594</u>	\$ <u>156,470</u>
	<u>2,647,910</u>	<u>2,565,073</u>	<u>2,503,390</u>	<u>2,281,796</u>	<u>2,125,326</u>
\$	<u><u>2,926,434</u></u>	\$ <u><u>2,647,910</u></u>	\$ <u><u>2,565,073</u></u>	\$ <u><u>2,503,390</u></u>	\$ <u><u>2,281,796</u></u>
\$	87,168	\$ 49,527	\$ 57,508	\$ 55,321	\$ 95,752
	66,054	58,943	56,761	54,670	54,200
	223,601	327,947	47,286	113,899	328,807
	(109,532)	(118,285)	(96,412)	(64,863)	(86,097)
	(1,856)	(1,872)	(1,606)	(1,494)	(1,701)
	(202)	(291)	(20)	(24)	18
\$	<u>265,233</u>	\$ <u>315,969</u>	\$ <u>63,517</u>	\$ <u>157,509</u>	\$ <u>390,979</u>
	<u>2,982,152</u>	<u>2,666,183</u>	<u>2,602,666</u>	<u>2,445,157</u>	<u>2,054,178</u>
\$	<u><u>3,247,385</u></u>	\$ <u><u>2,982,152</u></u>	\$ <u><u>2,666,183</u></u>	\$ <u><u>2,602,666</u></u>	\$ <u><u>2,445,157</u></u>
\$	(320,951)	\$ (334,242)	\$ (101,110)	\$ (99,276)	\$ (163,361)
	110.97%	112.62%	103.94%	103.97%	107.16%
\$	1,364,599	\$ 1,258,379	\$ 1,188,982	\$ 1,118,571	\$ 1,085,627
	-23.52%	-26.56%	-8.50%	-8.88%	-15.05%

Municipal Corporation of Cape Charles, Virginia

Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Employee Payroll (5)
2022	\$ 74,980	\$ 74,980	\$ -	\$ 1,504,384	4.98%
2021	73,284	73,284	-	1,448,614	5.06%
2020	77,005	77,005	-	1,483,394	5.19%
2019	75,744	75,744	-	1,398,895	5.41%
2018	83,299	83,299	-	1,364,599	6.10%
2017	56,500	56,500	-	1,258,379	4.49%
2016	61,470	61,470	-	1,188,982	5.17%
2015	57,830	57,830	-	1,118,571	5.17%
2014	95,427	95,427	-	1,085,627	8.79%
2013	91,628	91,628	-	1,042,407	8.79%

Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Municipal Corporation of Cape Charles, Virginia

Notes to Required Supplementary Information
For the Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Municipal Corporation of Cape Charles, Virginia
 Schedule of Municipality's Share of Net OPEB Liability
 GLI Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.00700%	\$ 81,732	\$ 1,448,614	5.64%	67.45%
2020	0.00730%	121,825	1,501,676	8.11%	52.64%
2019	0.00713%	116,023	1,398,895	8.29%	52.00%
2018	0.00718%	109,000	1,364,599	7.99%	51.22%
2017	0.00682%	103,000	1,258,379	8.19%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Municipal Corporation of Cape Charles, Virginia
 Schedule of Employer Contributions
 GLI Plan
 For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 8,124	\$ 8,124	\$ -	\$ 1,504,384	0.54%
2021	7,823	7,823	-	1,448,614	0.54%
2020	7,809	7,809	-	1,501,676	0.52%
2019	7,274	7,274	-	1,398,895	0.52%
2018	7,096	7,096	-	1,364,599	0.52%
2017	6,544	6,544	-	1,258,379	0.52%
2016	5,707	5,707	-	1,188,982	0.48%
2015	5,369	5,369	-	1,118,571	0.48%
2014	5,211	5,211	-	1,085,627	0.48%
2013	5,004	5,004	-	1,042,407	0.48%

Municipal Corporation of Cape Charles, Virginia
Notes to Required Supplementary Information
GLI Plan
For the Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

OTHER SUPPLEMENTARY INFORMATION

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*INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES*

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Municipal Corporation of Cape Charles, Virginia
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Debt service:				
Principal retirement	\$ 131,824	\$ 131,824	\$ 139,782	\$ (7,958)
Interest and other fiscal charges	24,134	24,134	24,263	(129)
Total expenditures	\$ 155,958	\$ 155,958	\$ 164,045	\$ (8,087)
Excess (deficiency) of revenues over (under) expenditures	\$ (155,958)	\$ (155,958)	\$ (164,045)	\$ (8,087)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 258,615	\$ 258,615	\$ 266,999	\$ 8,384
Transfers out	(102,657)	(102,657)	(102,954)	(297)
Total other financing sources and uses	\$ 155,958	\$ 155,958	\$ 164,045	\$ 8,087
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Municipal Corporation of Cape Charles, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental:				
Federal	\$ 703,483	\$ 703,483	\$ -	\$ (703,483)
EXPENDITURES				
Capital projects	\$ 1,197,762	\$ 1,257,762	\$ 121,615	\$ 1,136,147
Excess (deficiency) of revenues over (under) expenditures	\$ (494,279)	\$ (554,279)	\$ (121,615)	\$ 432,664
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 494,279	\$ 554,279	\$ 408,155	\$ (146,124)
Total other financing sources and uses	\$ 494,279	\$ 554,279	\$ 408,155	\$ (146,124)
Net change in fund balances	\$ -	\$ -	\$ 286,540	\$ 286,540
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 286,540	\$ 286,540

SUPPORTING SCHEDULES

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Municipal Corporation of Cape Charles, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2022

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,517,811	\$ 1,517,811	\$ 1,509,614	\$ (8,197)
Personal property taxes	178,000	178,000	242,074	64,074
Machinery and tools taxes	6,000	6,000	23,670	17,670
Penalties and interest	25,000	25,000	19,817	(5,183)
Total general property taxes	<u>\$ 1,726,811</u>	<u>\$ 1,726,811</u>	<u>\$ 1,795,175</u>	<u>\$ 68,364</u>
Other local taxes:				
Local sales and use taxes	\$ 63,000	\$ 81,158	\$ 79,533	\$ (1,625)
Consumers' utility taxes	54,500	54,500	59,620	5,120
Business license taxes	200,000	200,000	255,036	55,036
Motor vehicle licenses	24,750	24,848	25,303	455
Golf cart decals	10,000	10,000	20,367	10,367
Admissions taxes	11,000	13,000	15,734	2,734
Short term rental tax	12,000	12,000	12,757	757
Hotel and motel room taxes	303,308	278,332	376,800	98,468
Restaurant food taxes	550,000	660,000	723,449	63,449
Penalties and interest	600	600	562	(38)
Total other local taxes	<u>\$ 1,229,158</u>	<u>\$ 1,334,438</u>	<u>\$ 1,569,161</u>	<u>\$ 234,723</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 145,300	\$ 203,350	\$ 325,749	\$ 122,399
Total permits, privilege fees, and regulatory licenses	<u>\$ 145,300</u>	<u>\$ 203,350</u>	<u>\$ 325,749</u>	<u>\$ 122,399</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 45,550	\$ 56,550	\$ 56,740	\$ 190
Total fines and forfeitures	<u>\$ 45,550</u>	<u>\$ 56,550</u>	<u>\$ 56,740</u>	<u>\$ 190</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 11,500	\$ 6,000	\$ 3,254	\$ (2,746)
Revenue from use of property	26,650	37,150	32,803	(4,347)
Total revenue from use of money and property	<u>\$ 38,150</u>	<u>\$ 43,150</u>	<u>\$ 36,057</u>	<u>\$ (7,093)</u>
Charges for services:				
Charges for parks and recreation	\$ 800	\$ 800	\$ (250)	\$ (1,050)
Charges for DMV stops and FOIA fees	1,100	1,380	575	(805)
Charges for library	1,000	1,000	100	(900)
Total charges for services	<u>\$ 2,900</u>	<u>\$ 3,180</u>	<u>\$ 425</u>	<u>\$ (2,755)</u>
Miscellaneous:				
Miscellaneous	\$ 7,450	\$ 14,355	\$ 11,188	\$ (3,167)
Total miscellaneous	<u>\$ 7,450</u>	<u>\$ 14,355</u>	<u>\$ 11,188</u>	<u>\$ (3,167)</u>

Municipal Corporation of Cape Charles, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2022

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenues from local sources: (Continued)				
Recovered costs:				
County contribution for Library	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Other recovered costs	-	1,375	28,563	27,188
Total recovered costs	<u>\$ 30,000</u>	<u>\$ 31,375</u>	<u>\$ 58,563</u>	<u>\$ 27,188</u>
Total revenue from local sources	<u>\$ 3,225,319</u>	<u>\$ 3,413,209</u>	<u>\$ 3,853,058</u>	<u>\$ 439,849</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 35,000	\$ 35,000	\$ 33,686	\$ (1,314)
Auto rental tax	11	4	4	-
Personal property tax relief funds	35,424	35,424	35,424	-
Total noncategorical aid	<u>\$ 70,435</u>	<u>\$ 70,428</u>	<u>\$ 69,114</u>	<u>\$ (1,314)</u>
Categorical aid:				
Other categorical aid:				
Law enforcement grant HB 599	\$ 31,248	\$ 31,252	\$ 31,250	\$ (2)
Litter control	935	935	1,329	394
Other	7,460	7,460	-	(7,460)
Total other categorical aid	<u>\$ 39,643</u>	<u>\$ 39,647</u>	<u>\$ 32,579</u>	<u>\$ (7,068)</u>
Total categorical aid	<u>\$ 39,643</u>	<u>\$ 39,647</u>	<u>\$ 32,579</u>	<u>\$ (7,068)</u>
Total revenue from the Commonwealth	<u>\$ 110,078</u>	<u>\$ 110,075</u>	<u>\$ 101,693</u>	<u>\$ (8,382)</u>
Revenue from the federal government:				
Categorical aid:				
Other categorical aid:				
JAG grant	\$ 1,000.00	\$ 1,000.00	\$ 172.00	\$ (828.00)
Historic preservation	-	-	5,000	5,000
Rural Development grant	28,350	28,350	48,000	19,650
Total other categorical aid	<u>\$ 29,350</u>	<u>\$ 29,350</u>	<u>\$ 53,172</u>	<u>\$ 23,822</u>
Total categorical aid	<u>\$ 29,350</u>	<u>\$ 29,350</u>	<u>\$ 53,172</u>	<u>\$ 23,822</u>
Total revenue from the federal government	<u>\$ 29,350</u>	<u>\$ 29,350</u>	<u>\$ 53,172</u>	<u>\$ 23,822</u>
Total General Fund	<u>\$ 3,364,747</u>	<u>\$ 3,552,634</u>	<u>\$ 4,007,923</u>	<u>\$ 455,289</u>

Municipal Corporation of Cape Charles, Virginia
Schedule of Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2022

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Special Activities Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 143	\$ 143
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 17,817	\$ 4,801	\$ (13,016)
Recovered costs:				
Town manager	\$ 100,000	\$ 100,000	\$ 92,237	\$ (7,763)
Total revenue from local sources	\$ 100,000	\$ 117,817	\$ 97,181	\$ (20,636)
Revenue from the Commonwealth:				
Categorical aid:				
Arts grant	\$ 4,500	\$ 4,500	\$ 2,500	\$ (2,000)
Fire programs fund	15,000	15,000	15,000	-
Total categorical aid	\$ 19,500	\$ 19,500	\$ 17,500	\$ (2,000)
Total revenue from the Commonwealth	\$ 19,500	\$ 19,500	\$ 17,500	\$ (2,000)
Revenue from the federal government:				
Categorical aid:				
CDBG small business recovery	\$ 300,000	\$ 300,000	\$ 346,739	\$ 46,739
American Rescue Plan Act	528,615	528,615	156,245	(372,370)
Total categorical aid	\$ 828,615	\$ 828,615	\$ 502,984	\$ (325,631)
Total revenue from the federal government	\$ 828,615	\$ 828,615	\$ 502,984	\$ (325,631)
Total Special Activities Fund	\$ 948,115	\$ 965,932	\$ 617,665	\$ (348,267)
Capital Projects Fund:				
General Capital Projects Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
TEA-21 grant	\$ 703,483	\$ 703,483	\$ -	\$ (703,483)
Total revenue from the federal government	703,483	703,483	-	(703,483)
Total General Capital Projects Fund	\$ 703,483	\$ 703,483	\$ -	\$ (703,483)
Total Primary Government	\$ 5,016,345	\$ 5,222,049	\$ 4,625,588	\$ (596,461)

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Municipal Corporation of Cape Charles, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2022

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 43,612	\$ 35,968	\$ 27,263	\$ 8,705
Total legislative	<u>\$ 43,612</u>	<u>\$ 35,968</u>	<u>\$ 27,263</u>	<u>\$ 8,705</u>
General and financial administration:				
Town Clerk	\$ 96,156	\$ 100,960	\$ 91,630	\$ 9,330
Town Manager	607,836	601,016	432,500	168,516
Finance	379,949	375,317	373,306	2,011
Total general and financial administration	<u>\$ 1,083,941</u>	<u>\$ 1,077,293</u>	<u>\$ 897,436</u>	<u>\$ 179,857</u>
Total general government administration	<u>\$ 1,127,553</u>	<u>\$ 1,113,261</u>	<u>\$ 924,699</u>	<u>\$ 188,562</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 580,852	\$ 599,270	\$ 575,137	\$ 24,133
Total law enforcement and traffic control	<u>\$ 580,852</u>	<u>\$ 599,270</u>	<u>\$ 575,137</u>	<u>\$ 24,133</u>
Inspections:				
Code enforcement	\$ 144,843	\$ 189,443	\$ 133,218	\$ 56,225
Total inspections	<u>\$ 144,843</u>	<u>\$ 189,443</u>	<u>\$ 133,218</u>	<u>\$ 56,225</u>
Total public safety	<u>\$ 725,695</u>	<u>\$ 788,713</u>	<u>\$ 708,355</u>	<u>\$ 80,358</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 541,166	\$ 601,663	\$ 569,992	\$ 31,671
Total public works	<u>\$ 541,166</u>	<u>\$ 601,663</u>	<u>\$ 569,992</u>	<u>\$ 31,671</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 109,875	\$ 95,190	\$ 104,063	\$ (8,873)
Total parks and recreation	<u>\$ 109,875</u>	<u>\$ 95,190</u>	<u>\$ 104,063</u>	<u>\$ (8,873)</u>
Library:				
Library administration	\$ 169,224	\$ 171,856	\$ 163,599	\$ 8,257
Total library	<u>\$ 169,224</u>	<u>\$ 171,856</u>	<u>\$ 163,599</u>	<u>\$ 8,257</u>
Total parks, recreation, and cultural	<u>\$ 279,099</u>	<u>\$ 267,046</u>	<u>\$ 267,662</u>	<u>\$ (616)</u>

Municipal Corporation of Cape Charles, Virginia
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2022

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:(Continued)				
Community development:				
Planning and community development:				
Planning	\$ 270,325	\$ 301,718	\$ 224,158	\$ 77,560
Total planning and community development	<u>\$ 270,325</u>	<u>\$ 301,718</u>	<u>\$ 224,158</u>	<u>\$ 77,560</u>
Total community development	<u>\$ 270,325</u>	<u>\$ 301,718</u>	<u>\$ 224,158</u>	<u>\$ 77,560</u>
Debt service:				
Principal retirement	\$ -	\$ 5,989	\$ 5,989	\$ -
Interest and other fiscal charges	-	1,583	1,583	-
Total debt service	<u>\$ -</u>	<u>\$ 7,572</u>	<u>\$ 7,572</u>	<u>\$ -</u>
Total General Fund	<u><u>\$ 2,943,838</u></u>	<u><u>\$ 3,079,973</u></u>	<u><u>\$ 2,702,438</u></u>	<u><u>\$ 377,535</u></u>
Special Revenue Fund:				
Special Activities Fund:				
Public Safety:				
Fire and rescue services:				
Fire department	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Parks, Recreation and Cultrual:				
Parks and recreation:				
Arts Enter program	\$ 4,500	\$ 4,500	\$ 2,500	\$ 2,000
Central park	-	7,817	2,500	5,317
Total parks and recreation	<u>\$ 4,500</u>	<u>\$ 12,317</u>	<u>\$ 5,000</u>	<u>\$ 7,317</u>
Library:				
Friends fo the Library	\$ -	\$ 10,000	\$ 5,383	\$ 4,617
Total parks, recreation and cultural	<u>\$ 4,500</u>	<u>\$ 22,317</u>	<u>\$ 10,383</u>	<u>\$ 11,934</u>
Community Development:				
Planning and community development:				
DHCD small business recovery grant payments	\$ 300,000	\$ 300,000	\$ 349,765	\$ (49,765)
ARPA grant expenditures	528,615	528,615	156,245	372,370
PPEA	100,000	100,000	83,575	16,425
Total community development	<u>928,615</u>	<u>928,615</u>	<u>589,585</u>	<u>339,030</u>
Total Special Activities Fund	<u><u>\$ 948,115</u></u>	<u><u>\$ 965,932</u></u>	<u><u>\$ 614,968</u></u>	<u><u>\$ 350,964</u></u>

Municipal Corporation of Cape Charles, Virginia
 Schedule of Expenditures - Budget and Actual
 General Fund
 For the Year Ended June 30, 2022

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Debt Service Fund:				
General Debt Service Fund:				
Debt service:				
Principal retirement	\$ 131,824	\$ 131,824	\$ 139,782	\$ (7,958)
Interest and other fiscal charges	24,134	24,134	24,263	(129)
Total General Debt Service Fund	\$ 155,958	\$ 155,958	\$ 164,045	\$ (8,087)
Capital Projects Fund:				
General Capital Projects Fund:				
Capital projects expenditures:				
Buildings and improvement	\$ 130,000	\$ 130,000	\$ 58,072	\$ 71,928
Infrastructure - open space & parking	107,840	92,800	56,819	35,981
Streets and walkways	929,922	929,922	6,724	923,198
Storm water system	30,000	30,000	-	30,000
Contingencies	-	75,040	-	75,040
Total Capital Projects Fund	\$ 1,197,762	\$ 1,257,762	\$ 121,615	\$ 1,136,147
Total Primary Government	\$ 5,245,673	\$ 5,459,625	\$ 3,603,066	\$ 1,856,559

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OTHER STATISTICAL INFORMATION

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Table 1

Municipal Corporation of Cape Charles, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-term Debt	Enterprise Funds	Total
2013	\$ 688,965	\$ 418,308	\$ 411,438	\$ 298,615	\$ 80,967	\$ 52,426	\$ 3,033,294	\$ 4,984,013
2014	693,614	409,347	768,491	342,274	63,438	55,992	2,976,017	5,309,173
2015	702,411	423,254	483,605	284,537	53,261	51,195	2,919,126	4,917,389
2016	779,857	459,190	439,968	324,326	70,414	55,195	2,844,926	4,973,876
2017	780,254	529,272	462,247	500,987	103,487	38,410	2,714,842	5,129,499
2018	738,396	553,014	395,642	369,738	124,041	33,079	2,847,692	5,061,602
2019	976,567	580,426	520,472	288,379	63,934	31,954	2,941,117	5,402,849
2020	1,060,616	552,590	568,051	389,251	61,464	29,333	2,863,923	5,525,228
2021	1,561,687	658,500	552,730	373,047	121,252	25,278	3,067,935	6,360,429
2022	952,855	640,839	617,350	381,941	806,835	16,979	3,211,494	6,628,293

Table 2

Municipal Corporation of Cape Charles, Virginia
Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Revenues from use of Money and Property	Miscellaneous(1)	Grants and Contributions Not Restricted to Specific Programs		
2013	\$ 2,454,574	\$ 42,299	\$ 762,834	\$ 1,325,691	\$ 429,122	\$ 11,663	\$ 41,470	\$ 83,668	\$ 5,151,321	
2014	2,571,568	45,009	169,159	1,286,747	511,211	8,307	41,979	82,852	4,716,832	
2015	2,575,616	61,049	116,255	1,250,336	584,799	13,962	140,605	82,429	4,825,051	
2016	2,516,334	84,851	859,789	1,352,474	657,466	30,779	867,091	81,037	6,449,821	
2017	2,403,055	85,752	880,798	1,262,771	704,156	39,320	179,590	100,420	5,655,862	
2018	2,450,788	73,080	216,815	1,397,163	791,977	63,242	410,475	83,027	5,486,567	
2019	2,639,895	44,576	590,270	1,452,790	925,834	74,332	920,322	86,414	6,734,433	
2020	2,680,536	47,489	253,439	1,379,090	877,759	52,700	391,250	74,508	5,756,771	
2021	3,256,174	59,127	236,781	1,510,056	1,218,900	34,585	676,339	792,372	7,784,334	
2022	3,498,764	609,668	78,754	1,749,595	1,192,361	38,584	758,460	69,114	7,995,300	

Notes:

(1) Includes gain on disposal of capital assets.

Table 3

**Municipal Corporation of Cape Charles, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years**

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2013	\$ 661,441	\$ 441,814	\$ 535,873	\$ 160,303	\$ 85,620	\$ 127,012	\$ 2,012,063
2014	671,028	406,252	430,871	203,466	60,299	132,236	1,904,152
2015	710,293	416,577	488,941	170,270	57,293	136,819	1,980,193
2016	826,293	488,694	430,037	180,502	71,111	136,248	2,132,885
2017	804,763	532,415	493,580	211,061	103,770	1,060,008	3,205,597
2018	784,488	558,109	470,739	220,145	128,091	167,188	2,328,760
2019	929,438	586,918	475,210	246,550	67,050	150,561	2,455,727
2020	1,031,022	546,341	497,770	265,506	64,566	153,856	2,559,061
2021	1,569,936	653,183	585,624	241,603	117,151	150,668	3,318,165
2022	924,699	723,355	569,992	278,045	813,743	171,617	3,481,451

(1) Does not include capital project expenditures.

Table 4

Municipal Corporation of Cape Charles, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2013	\$ 1,225,360	\$ 429,122	\$ 70,886	\$ 12,603	\$ 11,483	\$ 4,032	\$ 27,941	\$ 20,000	\$ 263,194	\$ 2,064,621
2014	1,398,054	511,211	60,905	14,458	8,148	2,335	11,616	20,000	247,620	2,274,347
2015	1,308,036	584,799	79,022	17,193	13,762	2,504	3,758	24,368	244,733	2,278,175
2016	1,302,263	657,466	100,313	7,134	30,331	5,090	34,741	33,204	299,616	2,470,158
2017	1,306,460	704,156	62,835	5,034	38,138	7,070	5,695	22,426	1,033,188	3,185,002
2018	1,425,966	791,977	101,618	19,277	59,236	5,125	18,321	33,297	351,324	2,806,141
2019	1,408,353	925,834	124,531	10,271	66,585	3,827	19,731	28,103	492,725	3,079,960
2020	1,470,997	877,759	162,040	9,036	47,089	3,172	18,907	20,457	123,225	2,732,682
2021	1,519,701	1,218,900	250,254	52,373	33,986	6,455	3,440	85,994	1,077,694	4,248,797
2022	1,795,175	1,569,161	325,749	56,740	36,200	425	15,989	150,800	675,349	4,625,588

Table 5

Municipal Corporation of Cape Charles, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Outstanding Delinquent Taxes to Tax Levy
2013	\$ 1,346,641	\$ 1,168,065	86.74%	\$ 59,536	\$ 1,227,601	91.16%	\$ 263,301	19.55%
2014	1,331,614	1,188,974	89.29%	147,910	1,336,884	100.40%	196,662	14.77%
2015	1,274,119	1,192,349	93.58%	91,392	1,283,741	100.76%	147,959	11.61%
2016	1,304,355	1,212,623	92.97%	56,558	1,269,181	97.30%	210,947	16.17%
2017	1,307,990	1,210,464	92.54%	56,477	1,266,941	96.86%	170,484	13.03%
2018	1,354,254	1,319,862	97.46%	82,403	1,402,265	103.55%	133,957	9.89%
2019	1,385,027	1,365,349	98.58%	53,176	1,418,525	102.42%	120,174	8.68%
2020	1,441,927	1,405,053	97.44%	67,313	1,472,366	102.11%	118,703	8.23%
2021	1,516,579	1,426,493	94.06%	50,925	1,477,418	97.42%	120,825	7.97%
2022	1,869,309	1,781,924	95.33%	28,858	1,810,782	96.87%	118,815	6.36%

(1) Exclusive of penalties and interest

Table 6

Municipal Corporation of Cape Charles, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Public Utility		Total
				Real Estate (2)		
2013	\$ 623,140,200	\$ 15,296,652	\$ 17,000	\$ 3,688,742	\$	642,142,594
2014	409,929,500	14,324,494	15,800	3,688,742		427,958,536
2015	404,822,056	11,393,551	8,300	3,631,182		419,855,089
2016	410,160,956	12,104,739	3,500	3,705,047		425,974,242
2017	354,182,650	10,873,870	3,300	3,606,095		368,665,915
2018	355,837,200	12,203,520	-	3,651,067		371,691,787
2019	405,269,300	11,945,520	-	3,844,675		421,059,495
2020	421,169,400	12,526,920	-	3,672,005		437,368,325
2021	471,702,900	13,879,300	-	3,796,381		489,378,581
2022	486,479,500	21,662,020	-	3,702,099		511,843,619

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

Table 7

Municipal Corporation of Cape Charles, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Public Utility	
				Real Estate	
2013	\$ 0.1828	\$ 2.00	\$ 0.1828	\$	0.1828
2014	0.2759	2.00	0.2759		0.2759
2015	0.2759	2.00	0.2759		0.2759
2016	0.2759	2.00	0.2759		0.2759
2017	0.3260	2.00	0.3260		0.3260
2018	0.3260	2.00	-		0.3260
2019	0.2945	2.00	-		0.2945
2020	0.2945	2.00	-		0.2945
2021	0.2731	2.00	-		0.2731
2022	0.3143	2.00	-		0.3143

(1) Per \$100 of assessed value.

Table 9

Municipal Corporation of Cape Charles, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Payable from Enterprise Revenues (4)			
2013	1,009	\$ 642,142,594	\$ 9,417,364	\$ 353,486	\$ 8,378,491	\$ 685,387	0.11%	\$ 679
2014	1,009	427,958,536	10,094,123	257,582	8,793,226	1,043,315	0.24%	1,034
2015	1,009	419,855,089	9,611,950	257,582	8,384,203	970,165	0.23%	962
2016	1,009	425,974,242	9,116,776	257,582	7,960,552	898,642	0.21%	891
2017	1,009	368,665,915	8,642,601	257,740	7,630,508	754,353	0.20%	748
2018	1,009	371,691,787	8,085,427	257,867	6,981,046	846,514	0.23%	839
2019	1,009	421,059,495	7,525,255	258,458	6,512,342	754,455	0.18%	748
2020	1,178	437,368,325	6,958,082	257,582	6,037,234	663,266	0.15%	563
2021	1,178	489,378,581	6,382,908	257,584	5,556,444	568,880	0.12%	483
2022	1,178	511,843,619	5,798,735	257,646	5,069,617	471,472	0.09%	400

(1) United States Census Bureau, Census

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt. Excludes notes payable, OPEB liability, and compensated absences.

(4) Includes general obligation debt payable from enterprise revenues.

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COMPLIANCE SECTION

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**To the Honorable Members of the Municipal Corp. Council
Municipal Corporation of Cape Charles
Cape Charles, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Municipal Corporation of Cape Charles, Virginia as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Municipal Corporation of Cape Charles, Virginia's basic financial statements, and have issued our report thereon dated March 22, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Municipal Corporation of Cape Charles, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Municipal Corporation of Cape Charles, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipal Corporation of Cape Charles, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Municipal Corporation of Cape Charles, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Fournier, Cox Associates

Richmond, Virginia
March 22, 2023